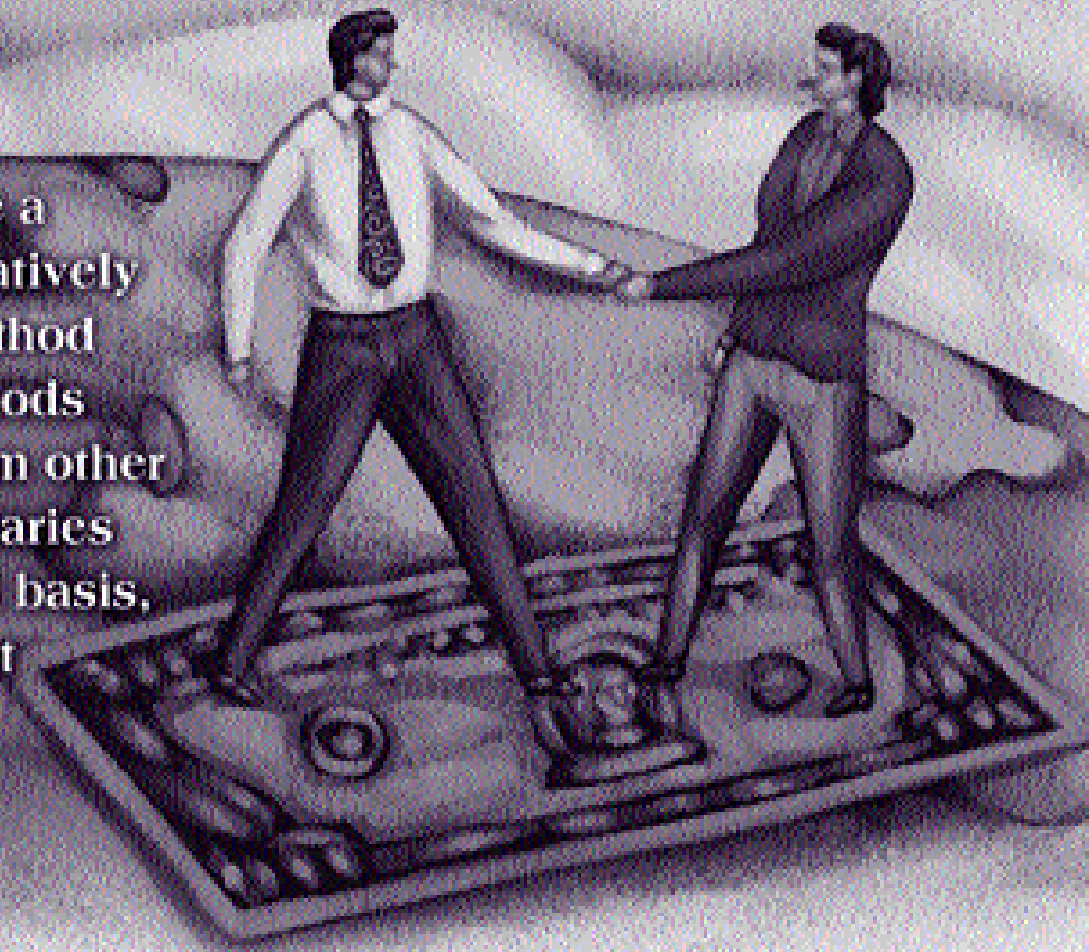


Acquisition and Cross-Servicing Agreements

The First Words in International Logistics Support

R. Hayden Hurst

ACSAs provide a simple and relatively hassle-free method of acquiring goods or services from other countries' militaries on a reciprocal basis, with repayment by exchange or cash.



Much has been written about the need for the United States to change the way it fights and to become as agile and responsive as possible. It is indisputable that a key part of that change must address logistics—how we acquire and supply our troops. The problem, however, is that changing the methods of supply and sustainment is often a long, costly, and difficult process. Acquisition and cross-servicing agreements (ACSAs) provide a partial solution: rather than bringing your food and fuel with you, pick it up wherever you are.

The ACSA provides a simple and relatively hassle-free method of acquiring goods or services from other countries' militaries on a reciprocal basis, with repayment by exchange or cash. ACSAs have provided support to the field during exercises like Bright Star, have enabled the United States to provide C-130 airlift to The Netherlands to transport relief supplies in the aftermath of a hurricane, and are essential components of the logistics strategy for coalition support in operations Enduring Freedom and Iraqi Freedom. ACSA growth has been of the best kind: it grows in popularity as its ease of procuring what's needed now becomes better known. If professionals talk logistics, professionals need to add ACSA to their vocabulary. It provides a key means by which commanders in the field are fully supported, while substantially reducing

Hurst is a contractor for JIL Information Systems and supports the ACSA program in AT&L/International Cooperation/Planning and Analysis.

sustainment requirements; in addition, vulnerability of logistics lines of communications can be substantially reduced.

ACSA has its roots in 1980s Europe, where it was a response to the requests of NATO nations participating in exercises for a reprieve from ever-present foreign military sales (FMS) paperwork and charges used to procure basic training supplies. Congress passed legislation enabling the U.S. military to enter into agreements with European militaries for cooperative logistics support of a life-support and combat-support nature—items like food, petroleum, and “dumb” munitions. This legislation formed the basis of the ACSA program.

As the program succeeded in Europe, it grew. Legislative changes included revocation of the geographic restriction and a broadening of the program as commanders saw the benefits of ACSA. Today 79 ACSAs exist—a relatively impressive number for a program that had only eight such agreements in 1990. Seventy-six are with countries ranging from longtime cooperative partners such as Australia and every NATO member except Iceland, to newer agreements with nations such as Armenia, the Dominican Republic, Mongolia, and Afghanistan. The remaining three are with NATO Maintenance and Supply Agency; Supreme Headquarters, Allied Powers, Europe; and Allied Command Transformation.

The appeal of ACSAs is easy to understand: they are low-maintenance—only one agreement is required per country or international organization; they are revised only when about to expire; and they provide an easy framework for establishing additional cooperative documents that address implementation concerns and questions. With the continued success of the ACSA program in the global war on terrorism, out-of-date guidance has been revised, standardized, and streamlined.

How an ACSA Works

The ACSA order is a form in which the side requesting support provides an initial statement of need. The first step, therefore, is for that side to determine what it needs. The law and Department of Defense directive indicate that ACSA may be used for logistics support, supplies, and services (LSSS): in other words, ACSA can be used to acquire spares or medical aid, but you can't use it to get a fighter aircraft or other major end-items.

Once the need has been determined and initial coordination with the potential supplier completed, the ACSA order is filled out. It specifies, among other things, what is required, the organization making the request, and the proposed method of payment (cash-based or exchange-based, where one type of LSSS is exchanged for another). The request is then transferred to the potential provider,

How to Find Out More About ACSA

The Office of the Director for Logistics for the Joint Staff and the Office of the Director of International Cooperation (under the Office of the Under Secretary of Defense (Acquisition, Technology and Logistics)) have the primary Joint Staff and OSD responsibilities for program review and guidance. Both are committed to continuing ACSA's evolution into a critical part of supporting coalition operations.

ACSA involves participants from the operational, logistics, legal, fiscal, and policy arenas, and it is touched upon by the Services, combatant commands, components, OSD, and the State Department. For these reasons, guidance cannot be found in one location. The following are helpful in learning more:

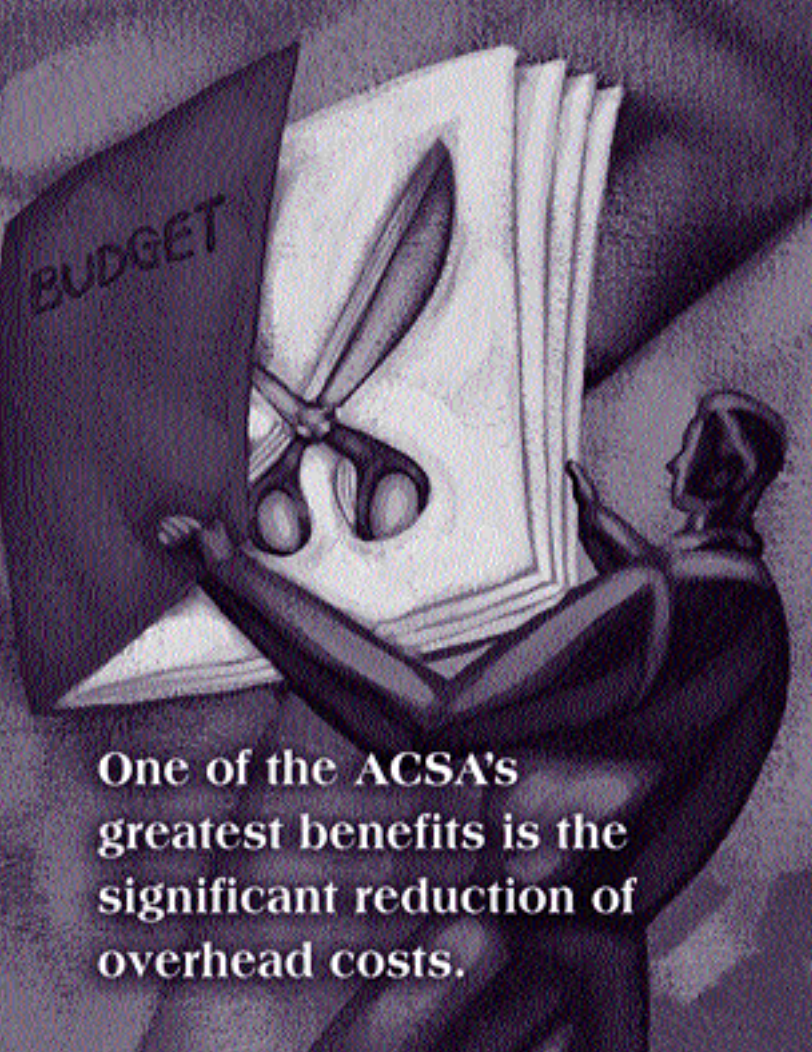
- DoD Directive 2010.9 “Acquisition and Cross-Servicing Agreements,” updated in April 2003, provides official DoD policy on ACSA.
- CJCS Instruction 2120.01 “Acquisition and Cross-Servicing Agreements,” published in April 2004, complements the DoD directive and provides implementation-level guidance.
- Volume 11A, Chapter 8 of the Financial Management Regulation “International Acquisition and Cross-Servicing Agreements,” dated December 1999, provides financial guidance on processing ACSA transactions.
- Title 10, United States Code, Section 2341-2350, provides the legal rationale for the ACSA program.

who reviews it to determine whether or not it is possible to comply. There is never any obligation under an ACSA agreement to provide a number or value of transactions, and a transaction may be declined for any reason. (However, declining a routine request may lead to the foreign partner's declining a future need—ACSA is reciprocal.) If the request is approved, the order is countersigned; the items requested are delivered or provided; and the participants have a specified period of time (one to three months, depending on the agreement) from the billing date to reconcile the account.

Three Methods of Payment

Cash—ACSA allows for three different types of payment. The first option is a standard cash transaction: if the United States acquires \$40,000 worth of food from another nation, we owe that nation \$40,000. This option is by far the most prevalent, accounting for more than 90 percent of all ACSA transactions.

Replacement-in-Kind—RIK says that if we acquire \$40,000 worth of food, we can repay the nation we got



One of the ACSA's greatest benefits is the significant reduction of overhead costs.

ACSA or FMS?

One of ACSA's greatest benefits is the significant reduction of overhead costs. The requestor doesn't pay additional fees but instead pays what the provider's forces would pay—within reasonable limits: even though performing an appendectomy may be free for your own troops, it is still acceptable to charge for the time and equipment if such support is provided under an ACSA. For some countries, this means that under ACSA, there is no FMS surcharge.

This doesn't mean that countries with an ACSA never pay FMS surcharges. Authorizing law and DoD guidance on the subject emphasize that ACSA can only provide logistics support, supplies, and services, and should be used only in the following general cases: wars or other conflicts; peacekeeping or humanitarian missions; training and/or exercises; or "unforeseen circumstances." So an ACSA order may be the better alternative to gain on-the-fly support for a time-critical mission against a terrorist group, but FMS is the choice when a country wishes to procure a tank or has a constantly recurring refueling request. The existence of an ACSA with a country does not bind either side to conduct all transactions through ACSA; compliance is encouraged through a requirement that the provider's stocks cannot be artificially increased in anticipation of ACSA orders—in other words, you can't factor "planned" ACSA orders into your re-supply requests.

it from with \$40,000 worth of food. This option is particularly useful in cases where both forces are deployed in separate operations. The United States can provide rations to a nation in one operation and receive rations from that same nation in a different operation or geographic location.

Equal-Value-Exchange—The final (and most complicated) option is EVE: if we acquire \$40,000 worth of food, we can repay with, for example, \$40,000 worth of fuel. This option often leads to cooperative endeavors that serve both sides, so it's beneficial to nations that may not have the economic power to pay for required support.

A transaction not repaid using RIK or EVE reverts to a cash-only basis after a year. A year may seem a significant lead time, but it is reasonable for contingency support where a provision of spare parts one day may not be repaid with security services, for example, until four months later.

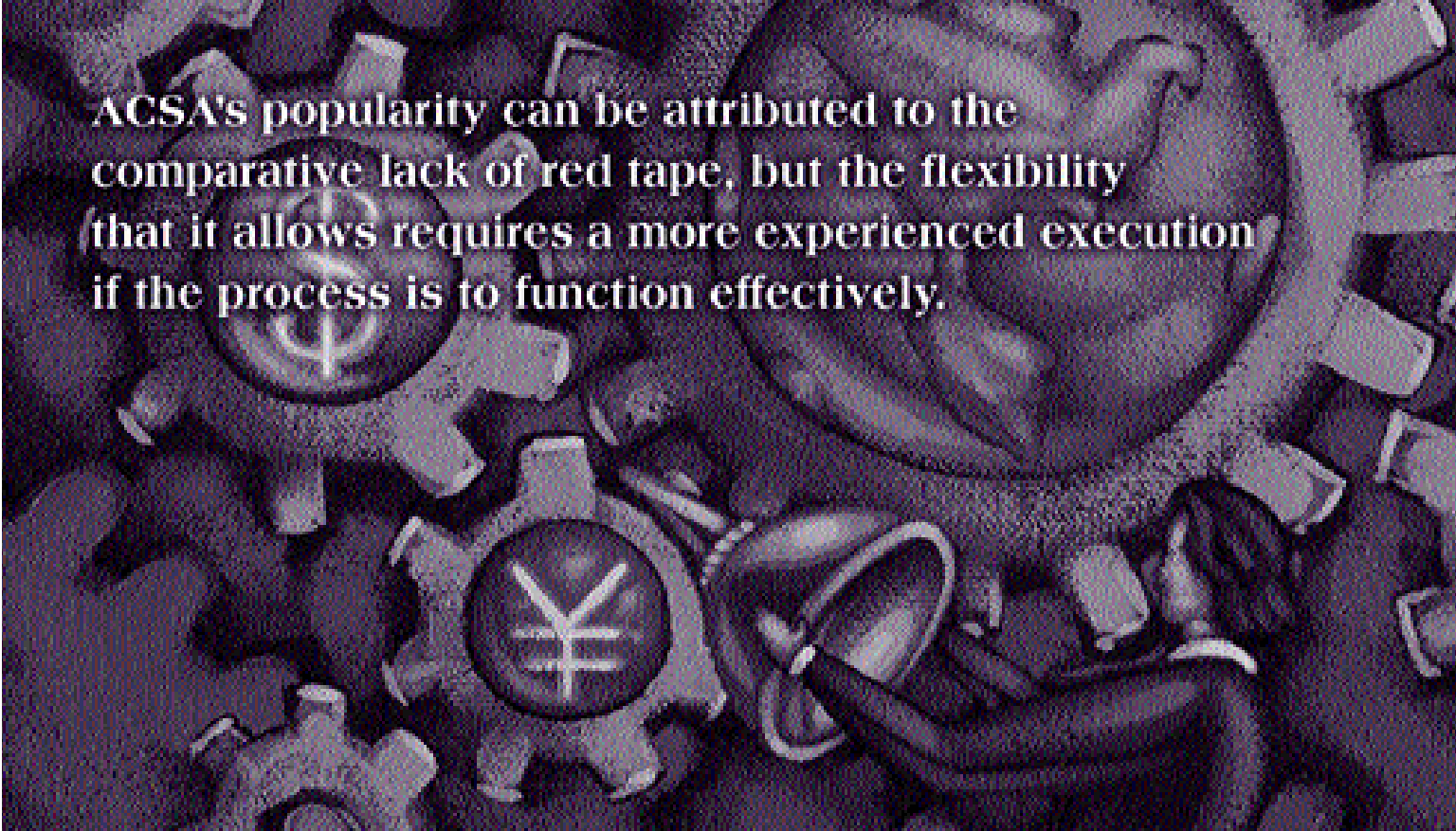
Coordination with U.S. providing and receiving organizations is essential. If you direct an organization to provide support and are considering RIK or EVE repayment, it is important to ensure that the unit wants and can receive the support being offered in return.

ACSA and FMS both provide key services in the operational community and shouldn't be seen as competing with each other. Any successful logistics support strategy for a major undertaking should always take into account both ACSA and FMS as ways of providing support and will often include both ACSA orders and FMS cases as a means of addressing all logistics needs.

Getting a New ACSA

ACSA's focus on operations support means that it is needed in many different countries, some of which may not have ACSA agreements. If a query of the appropriate command's legal or logistics branches indicates that a particular country doesn't have an ACSA and is not yet eligible to negotiate one, then the director for logistics of the appropriate combatant command should be asked to begin the process to declare that country "ACSA-eligible." This process involves a legal and policy review of the proposed country by the command, the Joint Staff, the Office of the Secretary of Defense, and the Department of State before a required 30-day notification of the proposed country to Congress. The entire process usually takes four to six months.

If a country doesn't have an agreement but *is* eligible to negotiate one, then a similar request should be made to



ACSA's popularity can be attributed to the comparative lack of red tape, but the flexibility that it allows requires a more experienced execution if the process is to function effectively.

the appropriate combatant command's director for logistics. That combatant command will prioritize the country and negotiate the agreement from an approved template before passing it to the combatant command, the Joint Staff, OSD, and the Department of State for a final legal, fiscal, and policy review. When the agreement is approved by all appropriate organizations, the agreement is then approved for signature. This process usually takes four to six months also.

A year timeline is not acceptable for a time-critical agreement that can affect imminent operations. The appropriate operational commander should notify appropriate personnel in the combatant command, Joint Staff, or OSD if operational effectiveness is being hampered by the lack of an ACSA. While some problems (such as the refusal of the other country to negotiate an ACSA) cannot be avoided, ACSA's link to operational effectiveness has made higher-level personnel more willing to assist in reducing the time needed for the typical coordination process where reasonable.

ACSA and Financial Management

ACSA straddles a difficult line: it was designed to provide logistics support in a timely, flexible, and efficient manner; however, it must do so while retaining fiscal responsibility. ACSA bookkeeping is complicated by the RIK and EVE options, which provide a commonsense option for rapid logistics support but make for numerous questions when performing accounting due diligence. Such questions as the cost of logistics support provided and

how to enter RIK and EVE transactions should be addressed and answered in accordance with specific Service or combatant command guidance before undertaking and approving such transactions.

This potential difficulty doesn't mean that ACSA should be a vehicle of last resort; it simply means that ACSA must be recognized as the complex financial instrument that it is and supported accordingly. ACSA's popularity can be attributed to the comparative lack of red tape, but the flexibility that it allows requires a more experienced execution if the process is to function effectively, particularly when EVE and RIK are involved. Effective ACSA use is a powerful ally in the goal of logistics support; inefficient ACSA can lead to a nightmare of questions and unpaid bills.

New Developments

In recent months, a key initiative in the evolution of ACSA is the development of a Web-enabled ACSA automation system that should provide at least a partial solution to many of the above problems by standardizing cross-command transactions, enabling centralized transaction and tracking, and providing a consistent methodology for processing RIK and EVE transactions. With these added capabilities, the ACSA will become an even more effective instrument to support the warfighter.

The author welcomes comments and questions and can be contacted at richard.hurst.ctr@osd.mil.